

DEPARTMENT OF INSURANCE

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**NOTICE**

TO: Prelicensing Education Providers

DATE: September 23, 2004

SUBJECT: Pre-licensing Code and Ethics Training

The California Department of Insurance is currently in the process of revising the Life Agent, Fire & Casualty, and Personal Lines examinations. For the purposes of the prelicensing code and ethics portion, the California Department of Insurance's Curriculum Board formed a subcommittee to create an outline for code and ethics training that will supplement the current 12-hour Code and Ethics prelicensing educational objectives.

To ensure that all areas of the supplemental 3-hour outline are covered within the 12-hour code and ethics courses, all prelicensing providers must submit their revised course material for review at least 30 days prior to implementing the changes. The materials contained within the supplemental 3-hour outline are to be included in the 12 hours of code and ethics, not in addition to these hours. All prelicensing providers must change their courses and submit the following items (if applicable) on or before February 1, 2005:

- 52-hour Fire and Casualty Educational Objectives, which includes coverage of the items listed in the 3-hour Supplemental Code and Ethics Outline. The revised educational objectives must include cross references to the applicable training materials. The objectives should also include the timeframes for each topic.
- 52-hour Life Educational Objectives, which includes coverage of the items listed in the 3-hour Supplemental Code and Ethics Outline. The revised educational objectives must include cross references to the applicable training materials. The objectives should also include the timeframes for each topic.
- 32-hour Personal Lines Educational Objectives, which includes coverage of the items listed in the 3-hour Supplemental Code and Ethics Outline. The revised educational objectives must include cross references to the applicable training materials. The objectives should also include the timeframes for each topic.
- 12-hour Code and Ethics Educational Objectives, which includes coverage of the items listed in the 3-hour Supplemental Code and Ethics Outline. The revised educational objectives must include cross references to the applicable training materials. The objectives should also include the timeframes for each topic.

Enclosed for your convenience are copies of the applicable Educational Objectives, along with the new Supplemental Code & Ethics Outline. We also included a current list of your approved prelicensing courses.

Should you have any questions concerning the prelicensing code and ethics training supplement, you may contact the Producer Licensing Bureau's Education Section at (916) 492-3064.

PRELICENSING EDUCATION

SUPPLEMENTAL EDUCATIONAL OUTLINE

Fire & Casualty, Life, and Personal Lines Code and Ethics Training

Revised 9/15/2004

OVERVIEW

Section 1677 of the California Insurance Code requires that the license examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has sufficient knowledge of insurance, insurance laws and code.

For purposes of the prelicensing code and ethics curriculum, the following outline provides the applicant with additional license training, as well as a reinforcement of existing license training on what is contained in the California Insurance Code and the California Code of Regulations as it pertains to code and ethics training. Sufficient knowledge of these items, in addition to the items listed on the Fire & Casualty, Life and/or Personal Lines Broker-Agent Educational Objectives, is what a typical new license agent needs to know at the start of one's career. There are fourteen items listed on the outline attached. A sample of these items is as follows:

- * Conduct of a licensee
- * Senior Insurance
- * General Provisions

SUPPLEMENTAL OUTLINE

The Supplemental Outline is statements of what an applicant needs to know about the California Insurance Code, the California Code of Regulations, and how well to demonstrate sufficient knowledge to pass the code and ethics portion of the licensing examination.

THE EXAMINATION

The code and ethics portion of the examination questions are based on the Educational Objectives and the Supplemental Outline. Mastery of both the Educational Objectives and the Supplemental Outline will aid in your success on passing the examination.

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I. General Provisions

Fire & Casualty, Life and Personal Lines

- A. Be able to differentiate between regulation of an admitted insurer and non-admitted insurer, and the potential consequences for consumers, sections 24, 25, 1760 through 1780 of the CIC.
- B. Be able to differentiate between an insurance *agent*, an insurance *broker* and an insurance *solicitor*, sections 31, 1621, 33, 1623, 34, and 1624 of the CIC.
- C. Be able to differentiate between a life agent and a life analyst, sections 32, 32.5, 1831 through 1849 of the CIC. **(Life Only)**
- D. Be able to identify what constitutes transaction of insurance, section 35 of the CIC:
 - 1) Solicitation, section 35(a) of the CIC.
 - 2) Negotiation, section 35(b) of the CIC.
 - 3) Execution of a contract of insurance, section 35(c) of the CIC.
 - 4) Transaction of matters subsequent to and arising out of a contract of insurance, section 35(d) of the CIC.

II. The Contract

Fire & Casualty and Personal Lines Only

Be able to identify the limitations on state regulation of risk retention groups under the federal Liability Risk Retention Act, and the possible impact on consumers, section 125 through section 140 of the CIC and Title 15 United States Code Sections 3901.

III. The Policy

Fire & Casualty and Personal Lines Only

- A. Be able to differentiate between an open policy and a valued policy, sections 411, 412 of the CIC.
- B. Be able to identify the meaning of warranty and its effect on a policy, section 440 through section 449 of the CIC.
- C. Be able to identify the laws governing return of premium, section 481 through section 487 of the CIC.

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**IV. The Business of Insurance General Regulations Fire & Casualty, Life
and Personal Lines**

- A. Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority, section 700 (b) of the CIC.
- B. Be able to identify the basic prohibitions contained in section 703.5 of the CIC. **(Fire & Casualty and Personal Lines Only)**

**V. Insurance in Connection with Sales and Loans Fire & Casualty
and Personal Lines Only**

Be able to identify the rules regarding insurance in connection with sales and loans, section 776 of the CIC.

VI. Senior Insurance Life Only

Be able to identify the rules regarding the sale to seniors of the types of insurance covered by section 785 through section 789.10 of the CIC.

VII. California Life and Health Insurance Guarantee Association (CLHIGA) Life Only

Be able to identify the basic coverages and exclusions of CLHIGA, section 1067 through section 1067.18 of the CIC.

**VIII. Production Agencies Fire & Casualty
and Personal Lines Only**

Be able to identify the coverages a personal lines licensee may and may not transact, section 1625.5 through section 1630 of the CIC.

**IX. Conduct of Licensee Fire & Casualty, Life
and Personal Lines**

- A. Be able to identify the rules regarding fictitious names, section 1724.5 of the CIC.
- B. Be able to identify the rules regarding displaying the license, section 1725 of the CIC. **(Fire & Casualty and Personal Lines Only)**

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- C. Be able to identify the rules regarding Internet advertisements, section 1726 (a) of the CIC.
- D. Be able to identify what records must be maintained, where, in what form, for how long, and what penalties may be imposed for noncompliance, 10 C.C.R. § 2190 through 2190.8, section 1747 of the CIC.
- E. Be able to identify the licensee's duty for disclosure of the effective date of coverage, section 1730.5 of the CIC. **(Life Only)**
- F. Be able to identify what kind of return premium offsets are and are not permissible, section 1735.5 of the CIC. **(Life Only)**

X. Written Consent in Regards to Interstate Commerce

Fire & Casualty, Life and Personal Lines

- A. Be able to identify what conduct is prohibited by Title 18 United States Code Section 1033.
- B. Be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034.

XI. Life Insurance

Fire & Casualty and Life

- A. Individual Life Insurance
 - 1) Be able to identify the provisions about the face value less than \$10,000, notice of right to return policy for cancellation and time limitation, section 10127.7 of the CIC. **(Life Only)**
 - 2) Be able to identify the provisions regarding the notice of right to cancel policy, section 10127.8 of the CIC. **(Life Only)**
 - 3) Be able to identify the provisions regarding the investment of variable annuity premiums, individual annuity insurance, and notification, cancellation, and refunds to senior citizens, section 10127.10 of the CIC.
 - 4) Be able to identify the provisions regarding life insurance and annuity contracts, non-printed illustrations of non-guaranteed values for senior citizens, section 10127.11 of the CIC.

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- B. Term Life Insurance
Be able to identify the provisions regarding disclosures in advertisements directed to persons 55 years of age or older and monetary value indexing, section 10127.8 of the CIC.

XII. Long Term Care Insurance

Fire & Casualty and Life

Consumer Protection

- 1) Be able to identify the provisions about duty of honor, good faith, and fair dealing, section 10234.8 of the CIC.
- 2) Be able to identify the provisions about replacement of long term care insurance unnecessarily, section 10234.85 of the CIC.
- 3) Be able to identify the provisions about advertisement and the “cold lead device” disclosure, section 10234.9(c) of the CIC. **(Life Only)**
- 4) Be able to identify the provisions about replacement coverage, section 10234.97(a) and (b) of the CIC. **(Life Only)**

XIII. General Regulation of Life Insurers

Life Only

- A. Be able to identify the records a life agent must maintain, sections 10508 and 10508.5 of the CIC.
- B. Be able to identify the requirements applicable to an agent for life insurance policy illustrations, section 10509.950 through section 10509.965 of the CIC.

XIV. Fair Claims Settlement Practices Regulations

Fire & Casualty, Life and Personal Lines

- A. Be able to identify a definition of the following: **(Life Only)**
 - 1) Claimant, Title 10, California Code of Regulations 2695.2 (c).
 - 2) Notice of Legal Action, Title 10, California Code of Regulations 2695.2(o).
 - 3) Proof of Claims, Title 10, California Code of Regulations 2695.2 (s).
- B. Be able to identify File and Record Documentation, Title 10, California Code of Regulations 2695.3. **(Life Only)**
- C. Be able to identify Duties Upon Receipt of Communications, Title 10, California Code of Regulations 2695.5. **(Life Only)**

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- D. Be able to identify Standards for Prompt, Fair and Equitable Settlements, Title 10, California Code of Regulations 2695.7, especially subsections (a), (b), (c), (g), and (h). **(Life Only)**
- E. Be able to identify the following unlawful practices:
 - 1) Additional Standards Applicable to Automobile Insurance, California Code of Regulations 2695.8 (e).
 - 2) Requirements, suggestions, or recommendations by insurer regarding repair of automobiles at specific automobile repair dealers; conditions; disclosure; powers of commissioner, section 758.5 of the CIC.